

QUONSET DEVELOPMENT CORPORATION
MEETING OF THE AUDIT FINANCE COMMITTEE

SEPTEMBER 19, 2005

A meeting of the Audit Finance Committee of the Quonset Development Corporation (the “Corporation”) was held at 3:30 p.m. on Monday, September 19, 2005, at the offices of the Corporation located at 30 Enterprise Drive, North Kingstown, Rhode Island, pursuant to notice to all members of the Audit Finance Committee and a public notice of the meeting as required by the Bylaws of the Corporation and applicable Rhode Island Law..

The following directors constituting a quorum were present and participated throughout the meeting as indicated: Robert Crowley and Barbara Jackson. The only member not present was John G. Simpson. The following Quonset Development Corporation staff members were also in attendance: Mary C. Lake, CFO, Kevin M. Barry, Controller, Steven King, COO, and W. Geoffrey Grout, Managing Director (arrived at 4:00 pm).

1. CALL TO ORDER

The meeting was called to order at 3:35 p.m. by Mr. Crowley as all members were present.

2. APPROVAL OF MINUTES:

Upon motion duly made by Ms. Jackson and seconded by Mr. Crowley the Directors:

VOTED: To approve the Public Session minutes of the August 15, 2005 meeting, as submitted to the Directors..

Voting in favor were: Mr. Crowley and Ms. Jackson.

Voting Against were: none

Unanimously Approved.

3. DISCUSSION OF FY07 OPERATING BUDGET:

The discussion of the FY07 Operating Budget began with Mr. Barry asking if there were any questions about the information that was sent to the Committee. Mr. Crowley asked if footnotes could be added to the information that explained the major changes from year to year, in particular, the changes in rental income. Ms. Lake stated that this could be done and the revised information would be forwarded to the Committee members. Ms. Lake stated that although the FY06 budget has been approved, a reforecast has been done internally. Mr. Crowley also asked if we would be reviewing the

year-to-date actuals for 2006 as well as the forecast for FY06 at our October meeting. Ms. Lake stated that we could certainly do that. Ms. Lake stated that we would compare the year-to-date actuals to the FY06 approved budget and the FY06 forecast.

Mr. Crowley asked if there was any rental income included in the FY07 budget from New Boston Partners and Ms. Lake stated that there was none. A discussion then ensued, led by Mr. King, regarding the New Boston Partners deal that is currently in negotiations. Mr. King explained that a deal is being negotiated for a ground lease for the land at the time of development, which would bring in some rental income. However, Ms. Lake stated that in order to be conservative since there is currently no deal between QDC and New Boston Partners, there is nothing included in FY07 for anticipated rental income to be received in the event of a deal.

Ms. Lake stated that there was an error on the information delivered to the Committee members that shows 43 FTE as opposed to 44 FTE for FY07. Ms. Lake noted that the increased FTE between FY06 and FY07 stems from the addition of a Technician (1 FTE) and a part time receptionist (.5 FTE). Ms. Lake stated that this information would be corrected once the footnotes were added as requested by Mr. Crowley.

Mr. Crowley asked about the salary increase pool and how much money was budgeted for increases in FY07. Kevin Barry stated that a

total pool that represents 5% across the board was factored into the FY07 budget. However, Mr. Barry stated that this includes lump sum bonus amounts and other salary adjustments from FY06 that were omitted from the FY07 budget.

Ms. Jackson asked what QDC felt was the biggest issue for the FY07 budget. Ms. Lake noted that rental income is always a bit of a concern. Although the numbers in the FY07 budget are very conservative, the loss of a business in the park can happen at any time and could possibly throw off the budgeted numbers, even if only temporarily until a new tenant can be found.

Ms. Lake then continued the discussion of the FY07 budget numbers by discussing cash issues facing the Corporation as well as the pier income and PILOT numbers.

Ms. Jackson then led a discussion about the PILOT numbers and the North Kingstown taxes being charged to tenants of the park. A discussion was had regarding how the tax agreement worked and what would happen in years to come. Ms. Jackson also asked for Ms. Lake to add a footnote that explained the PILOT number in terms of \$/thousand. Ms. Jackson also discussed that when the Town of North Kingstown reevaluated properties a few years ago, residential values changed but commercial property values did not change.

Upon motion made by Ms. Jackson and seconded by Mr. Crowley, the

Committee:

VOTED: To approve the FY07 Operating Budget for submittal to the Board of Directors.

Voting in favor were: Mr. Crowley and Ms. Jackson.

Voting Against were: none

Unanimously Approved

4. OTHER BUSINESS:

Ms. Lake then asked for approval to purchase a new dump truck with a snow plow. Ms. Lake discussed the reasons why QDC needs a new dump truck as well as the two quotes that were received. QDC requested permission to purchase the MACK CV713 (lowest bid and best value), for approximately \$162,579.

Ms. Jackson asked about the possibility of using North Kingstown or East Greenwich service contracts to plow our roads. Mr. King stated that to utilize North Kingstown or East Greenwich services may not be the most feasible option in terms of manpower for the towns as well as QDC's loss of control over the snow plowing efforts. Ms. Jackson also asked if we have considered contracting with vendors instead. Mr. King stated that we have in the past but that vendors are

unreliable. Mr. King further stated that due to the nature of our business and the fact that we need to get the roads clear and keep them clear so people can get to and from work, it is not feasible for QDC to contract with outside sources to have our roads plowed.

A brief discussion then ensued regarding whether or not the Town of North Kingstown would be taking over any roads within the park. Mr. King stated that the new agreement being negotiated states that the Town would assume responsibility for approximately 4.5 miles of roadways within the park.

Upon motion made by Ms. Crowley and seconded by Ms. Jackson, the Committee:

VOTED: To approve the purchase of the 2006 MACK CV713 dump truck.

Voting in favor were: Mr. Crowley and Ms. Jackson.

Voting Against were: none

Unanimously Approved

The last item on the agenda was a brief discussion of an RFP that would be submitted by Wednesday, September 21st, for bidding on the purchase of approximately 30 miles of used railroad tracks to be

utilized in an already approved bond project. Mr. King discussed the feasibility of making a bid on the used tracks but also stated that it was unlikely that QDC would get the merchandise because there were several other very interested parties. Mr. King stated that the QDC bid would be up to \$500,000. Mr. King just wanted the Committee to be aware of the RFP.

There being no further business to come before the Committee, upon motion duly made by Mr. Crowley and seconded by Ms. Jackson, the meeting was adjourned at 4:10 p.m.

Respectively submitted:

By: _____
Mary C. Lake, CFO